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Capital Market Development in Southeast Asia: Indonesia, Philippines and Vietnam



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Executive Summary

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- **Indonesia, the Philippines, and Vietnam have made substantial strides in capital market development** over the past decade, implementing regulatory reforms, modernising infrastructure, and expanding product offerings that have broadened market access and attracted growing investor interest. Each market has achieved notable milestones that demonstrate genuine commitment to deepening capital markets as complements to bank financing. Building on this progress, significant opportunities now exist for development finance institutions to support the next phase of market maturation through targeted interventions in credit enhancement, issuer readiness, and institutional investor development.

Chart 1: Capital Market Indicators of ASEAN countries, 2025

Country	LCY Corporate Bond Size	Corporate Bond Market Size/ GDP	Equity Market Capitalisation	Equity Market Capitalisation/ GDP	Turnover ratio on the equity market	Share of retail trading on the equity market	Share of foreign trading on the equity market
	USD bn	%	USD bn	%	%	%	%
Indonesia	32.2	2.2%	944.0	56.9%	30.3%	18.3%	45.7%
Philippines	27.0	5.0%	318.0	66.0%	13.0%	16.0%	46.3%
Vietnam	54.0	10.4%	367.6	71.5%	67.3%	54.1%	11.6%
Singapore	164.0	26.7%	820.7	134%	34.9%	-	-
Thailand	137.1	23.6%	504.6	96%	61.5%	29.0%	54.1%

Source: FiinProX, PSE, IDX, ADB ABO, CEIC. Note: the data are for the full year of 2025. The share of retail trading in Thailand does not include trading by foreign retail investors

- **Vietnam's capital markets have expanded rapidly in recent years, supported by strong retail participation and accommodative monetary conditions**. The equity market has grown substantially relative to GDP, with trading activity reaching the highest levels in ASEAN and the IPO pipeline has strengthened considerably. However, market liquidity remains concentrated in a narrow set of cyclical stocks, particularly banks and real estate, creating vulnerability to sector-specific shocks and limiting sustained foreign institutional interest. The market is overwhelmingly retail-driven, while institutional participation remains nascent despite recent regulatory reforms designed to attract long-term capital.

Meanwhile, **the corporate bond market has undergone significant restructuring** following disruptions in the real estate sector. Outstanding corporate debt has expanded considerably but remains concentrated in banking. Recent regulatory interventions have strengthened market discipline through mandatory credit rating requirements and stricter leverage limits for issuers.

Executive Summary (cont'd)

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- **Philippine capital market operates on a foundation of steady economic expansion and an established regulatory framework, yetit faces ongoing bottlenecks in secondary market depth and issuer diversity.** The equities sector is characterised by low turnover and a limited pipeline of new public offerings. The corporate debt market is similarly concentrated, with top-tier issuers accounting for the vast majority of outstanding bonds. The secondary market suffers from illiquidity due to a buy-and-hold investor base and the absence of executable pricing benchmarks. A notable bright spot is the accelerated adoption of sustainable finance. Driven by alignment with the ASEAN Taxonomy, ESG-labeled instruments now represent a material share of total issuances, supported by banks and institutional capital.

- **In the Indonesia's equity market, headline growth masks persistent weaknesses in depth and liquidity.** Market capitalisation remains unevenly distributed, with a disproportionate share concentrated among large firms, primarily SOEs and conglomerate-linked companies. IPO activity has moderated since 2023, reflecting electoral cycles, macro uncertainty, and concerns over issuer quality. While initiatives such as tiered listing boards and fiscal incentives have broadened access, low free float and persistent controlling-shareholder dominance continue to constrain institutional engagement. Meanwhile, the corporate bond market has grown in size but remains shallow and conservative. Issuance is concentrated among financial institutions and repeat issuers, investor demand is skewed toward high-grade credits, and maturities cluster in the 1 to 5-year range.

- **Actionable Recommendations for development finance institutions should address the structural constraints in the three countries through catalytic mechanisms** that strengthen market functions rather than simply adding capital. Credit enhancement remains a priority across all three markets, particularly through guarantee structures or direct co-investment vehicles that derisk lower-rated and first-time issuers in infrastructure and climate-aligned sectors.

  Technical assistance programs should focus on building issuer readiness, particularly for mid-sized corporates that lack the resources or expertise to navigate public market requirements. This includes support for financial reporting aligned with international standards, governance improvements, and development of credible sustainable finance frameworks with measurable key performance indicators and robust impact tracking. Meanwhile, anchor investment strategies should target qualified initial public offerings and sustainable bond issuances in priority sectors, demonstrating commercial viability and signaling quality to domestic institutional investors.

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1.1 Vietnam – Market Landscape & Activity

Vietnam's Equity Market Liquidity: Cynical, Short-Term Focus and Credit-Driven Concentration

Chart 2: Market capitalisation of the equity market by exchange

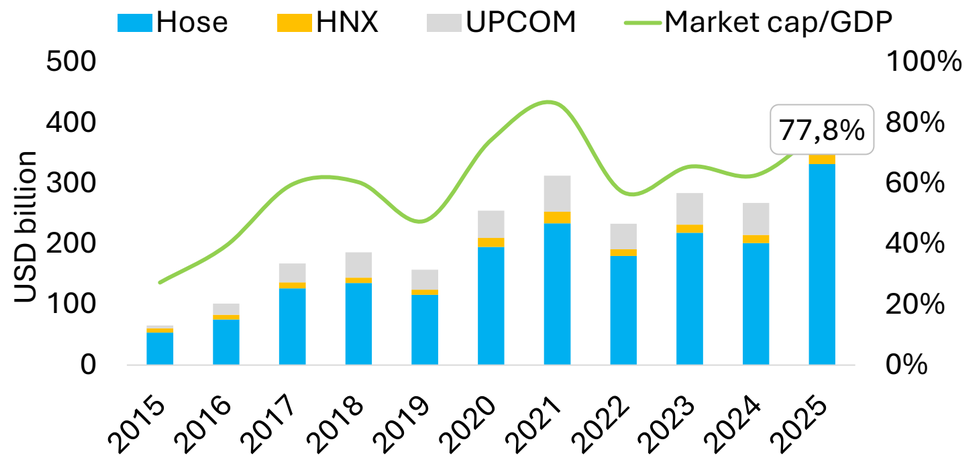
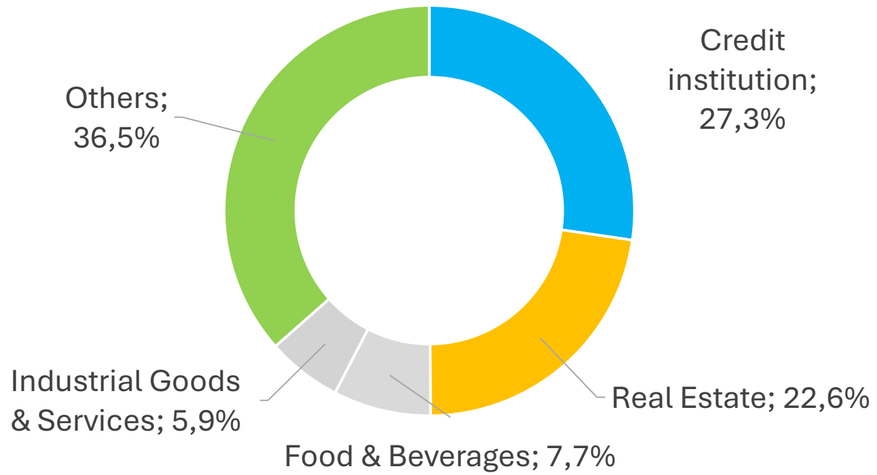


Chart 3: Sector Weights, FY2025



Source: FiinPro, SSC, HNX, HoSE. Note: HoSE – Ho Chi Minh Stock Exchange, HNX – Hanoi Stock Exchange, UPCoM – Unlisted Public Company Market (stock trading system for public companies that are not yet eligible for listing)

Chart 4: Important recent regulatory reforms in the equity market

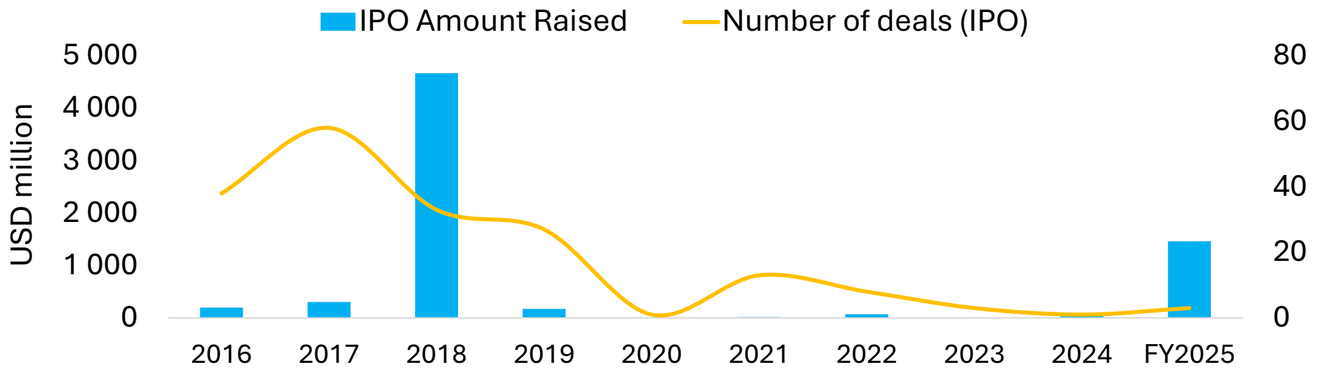
Regulation	Description
Circular 08/2026/TT-BTC	• New trading method for foreign investors via global brokers without domestic account; lifts Non-Prefunding stock restrictions; allows foreign fund managers to open separate proprietary and client portfolio accounts.
Decree 245/2025/ND-CP	• Prevents companies from arbitrarily lowering FOLs below legal cap; removes capital contribution audit requirement pre-IPO; reduces IPO-to-listing window from 90 to 30 days; extends professional investor definition to foreign investors.
Circular 68/2024	• Eliminates mandatory pre-funding for foreign institutional investors before placing stock orders; requires sufficient funds only by final settlement deadline (T+2).
Launch of KRX Trading System	• Handles higher trading volumes and shortens trade settlement cycles; essential infrastructure to enable Central Counterparty Clearing (CCP), expected Q1 2027.

- Vietnam's equity market has rebounded strongly, with market capitalisation over GDP stands at 71.5% by the end of 2025 and daily trading value surging 3.5× since 2020. However, **the market remains heavily concentrated in Banks and Real Estate, which together represent nearly 50% of market capitalisation and dominate trading activity.** Trading is short-term and cyclical, institutional participation is thin.
- Regulators have introduced a series of reforms to enhance market efficiency, reduce operational frictions, and progressively align the market framework with international standards.

01 1.1 Vietnam – Market Landscape & Activity

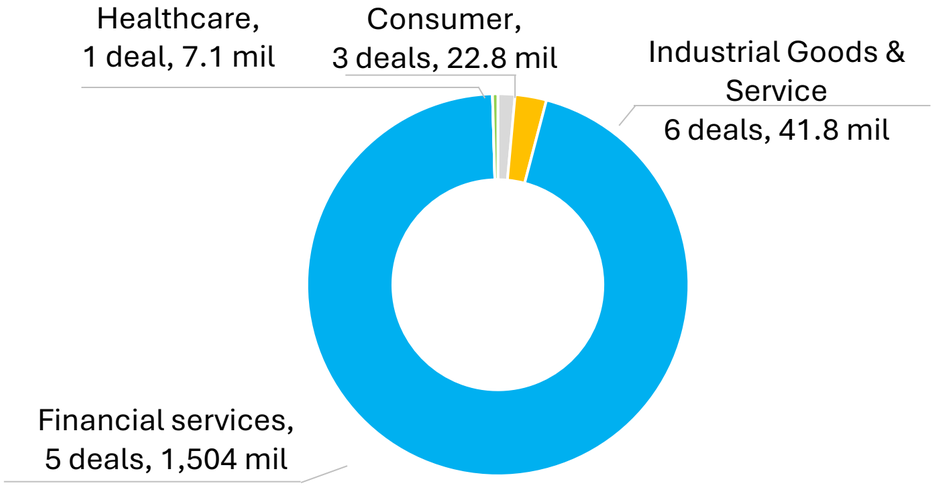
IPO activity remained subdued and structurally constrained but has ramped up since 2025

Chart 5: Vietnam's Initial Public Offering Over Years



	2016	2017	2018	2019	2020	2021	2022	2023	2024	FY2025
Number of deals	38	58	33	27	1	13	8	3	1	3
IPO Amount raised	195	304	4,667	172	9	16	71	7	37	1,461

Chart 6: FY2022-2025 IPO Sectoral Concentration



Source: FiinPro, Deloitte IPO report, Companies' public announcements and news outlet.

- **IPO activity in Viet Nam has remained subdued due to the limited number of large private corporations seeking listings** despite meeting minimum market-capitalisation thresholds. This is due to the low foreign ownership limits (30% for banks and 49% for conditional business sectors), significantly reducing market investability. At the same time, SOE equitisation has declined 93.4% from its 2015–2019 peak, while large private IPOs are hampered by low free float — with controlling shareholders often retaining over 65% post-listing.
- **In 2025, the story of market upgrade to secondary Emerging Markets classification by FTSE Russel and securities policy developments play roles in ramping up the IPO movement.** Most transactions are concentrated in the financial services (specifically in securities brokerage sector), six IPOs have been planned in the first half of 2026.
- Meanwhile, corporate governance weaknesses persist across key areas: low board independence, opaque UBO structures, related-party transaction risks, and prospectus disclosure standards that fall short of international benchmarks.

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1.1 Vietnam – Market Landscape & Activity

Market reforms and the FTSE upgrade are fueling a new wave of diverse IPOs, striking toward MSCI reclassification

Chart 7: IPO Pipeline

Company	Sector	Expected IPO year	Financial indicators (USD million)	
			Equity	Revenue
Kafi Securities	Financial services	1Q 2026	206.3	37.5
C.P Vietnam	Agriculture	2026 – 2027	1,140.9	3,400.1
Golden Gate Group	Food & Beverages	2026 – 2027	54.7	259.6
Hoa Phat Agriculture	Agriculture	1Q 2026	126.8	270.4
Pharmacity	Health Care	2027 - 2028	-1.5	200.6
Gelex Infra	Real estate	1Q 2026	710.1	510.1
Dien May Xanh	Retail	2026	N/A	2,328.7
Galaxy Cinema	Travel & Leisure	2027 – 2030	16.8	49.1
Bach Hoa Xanh	Retail	2027 - 2028	236.7	1,608.1
F88	Financial services	4Q 2026	70.1	89.2
MISA	Technology	2027 – 2030	52.9	60.8
Highlands	Food & Beverages	2027 – 2030	19.0	179.5
Sunhouse	Retail	2027 – 2030	67.8	159.4
Viettel IDC	Telecommunications	2026	60.8	72.7
DatvietVAC	Travel & Leisure	2027 – 2030	58.0	0.0
FPT Long Chau	Health Care	2026 – 2027	42.2	1,005.0
MOMO	Financial services	2027	171.9	137.4

Source: FiinRatings' compilation

Chart 8: MSCI Reclassification: Upside vs Downside

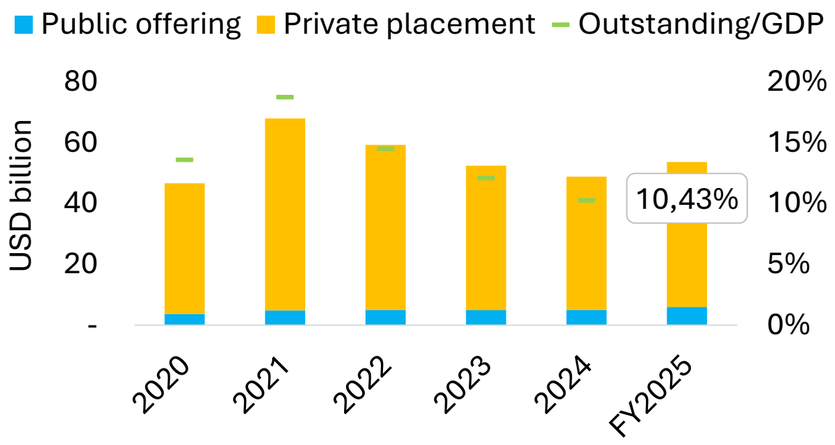
✓ ETF inflows and institutional mandates	✓ P/E re-rating from 16× toward EM peers	✓ Bid-ask spread compression
✗ Hot-money volatility / capital flight	✗ Retail crowding-out in large caps	✗ Overvaluation risk if P/E >19–20×

- High-profile, non-financial entries and FDI-backed names like C.P. Vietnam are expected to diversify and boost market capitalisation.
- While Vietnam was excluded from the 2024 MSCI classification review, the market has historically faced accessibility hurdles identical to those cited by FTSE Russell, including foreign ownership limits (FOL), pre-funding mandates, the absence of a Central Counterparty (CCP), and inconsistent English-language disclosures. Significant regulatory progress was made between 2024 and early 2026. Vietnam has proactively addressed most of the missing criteria, demonstrating a concerted effort to qualify for the MSCI Watch List.
- However, some bottleneck persists such as capital capacity constraints of domestic securities firms and legislative hurdles to foreign ownership liberalisation.

01 1.1 Vietnam – Market Landscape & Activity

Sector concentration persists, while structural reforms aim to strengthen discipline and boost liquidity

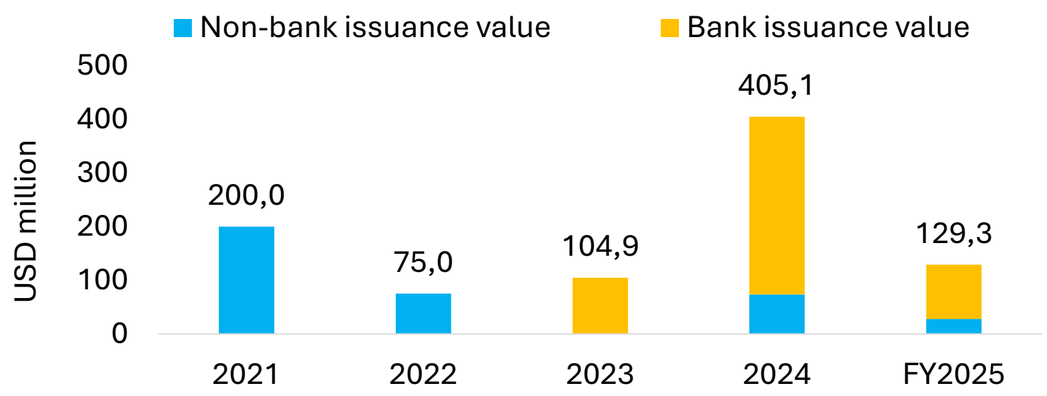
Chart 9: Outstanding Corporate Bond Value, Total and by Sector



Sector	%
Credit institutions	51.5%
Real estate	28.9%
Manufacturing	4.3%
Financial Services	1.5%
Trade and Services	2.4%
Energy	2.7%
Others	8.7%
Total	**100.0%**

Source: FiinPro, Cbond HNX

Chart 10: GSS+ bond issuance in Vietnam



Source: FiinRatings, issuers' public announcements. Note: Data includes only domestic bond issuances

- **The publicly offered corporate bond market remains modest in size.** This is largely due to the less strict issuance conditions under Decree 153/2020/ND-CP, where private bond issuers are not required to meet specific financial conditions, obtain credit ratings, or undergo appraisal and certification. Meanwhile, mandatory credit rating requirements with certain conditions and the stringent eligibility criteria regarding issuers are some of the hindering factors for public offerings. In addition, administrative bottlenecks in approval and licensing processes can discourage firms from pursuing public offerings.
- **Liquidity for listed public bonds remains low**, even though trading activity improved noticeably in 2022 after all bonds were migrated from HoSE to HNX. The average daily trading value of public offerings is USD 15.5 million, with put-through trade making up 98.5% of turnover. This is more than 13 times below the daily trade value of registered private bonds on the HNX centralised trading system. Listed non-bank corporate bonds still exhibit shallow market depth and infrequent trading, reducing their appeal to investors seeking easy entry and exit.
- From 2016 to FY2025, **the green, social, and sustainable bond issuances (GSS)** in Vietnam totaled over USD 1.64 billion. **Despite increasing participation from companies across a range of sectors - including renewable energy, sustainable fisheries, and infrastructure, the market remains concentrated in the banking sector.** Although a national green taxonomy has been introduced, detailed guidance for green bonds and green credit remains limited, leading issuers to rely on international frameworks.

01 1.2 Vietnam – Investor Landscape

Equity market is driven by retail investors; ongoing reforms are expected to strengthen institutional participation

Chart 11: Ownership structure on Vietnam equity market

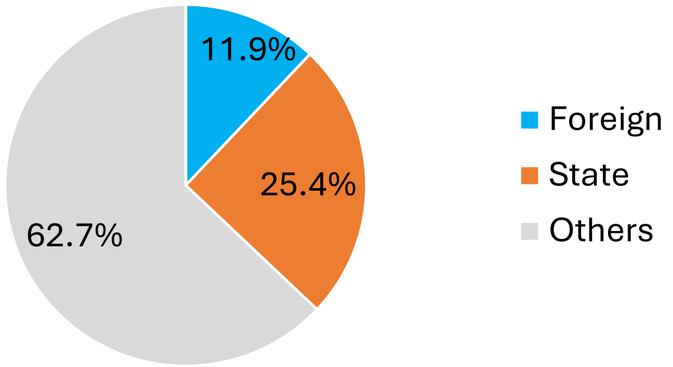
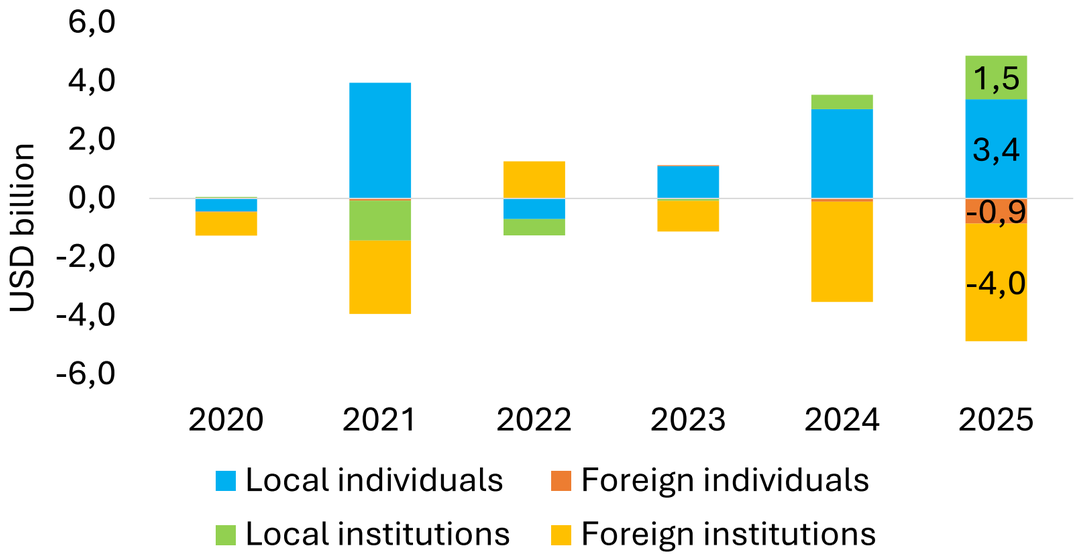


Chart 12: Net Trading Value on HoSE by type of investors



- Vietnam's equity market has undergone a structural shift since 2021, with **domestic retail investors emerging as the dominant trading force** following prolonged low interest rates and rapid digitalisation of brokerage access. While retail flows have cushioned the market against sustained foreign net selling, this reliance introduces persistent sentiment-driven volatility.
- **However, investor sentiment is now being supported by recent structural upgrades and reform momentum.** The upgrade to Secondary Emerging Market status signals improvements in market infrastructure and transparency, while the establishment of international financial centres in Ho Chi Minh City and Da Nang highlight Vietnam's long-term ambition to deepen global financial integration. At the same time, investment funds remain positive on upcoming regulatory reforms, including measures under Decision 3168, which are expected to expand the investable universe and ease participation constraints.

Source: FiinProX. Note: Ownership data are calculated based on outstanding shares on HoSE, HNX and UPCoM.

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1.2 Vietnam – Investor landscape

The institutional investor base represents a largely inactive pool of equity and C-bond capital

Chart 13: Institutional investors' profiles

	Size	Investment mandate	Key Constraints
Investment funds	**Total AUM**: USD30.3 billion **Total NAV**: USD13.1 billion (*)	**Out of 80 active funds:** 51 equity funds, 19 bond funds, 10 balanced funds	Not invest over 20% of the total assets in "unlisted securities", which are privately placed shares and private C-bonds issued by listed entities. IPO shares and public bonds were recently excluded from the list
Commercial banks	**Outstanding value of Investment securities:** USD 86 billion (**)	**Concentrated in G-bonds (42% of the total portfolio) and FI bonds (52%),** reflecting both regulatory prudence & liquidity management	• Credit growth limit that restricts investment in non-bank corporate bonds • 10% of liquid assets (cash, G-bonds, etc.) must be maintained
Securities companies	**Outstanding value of Investment securities:** USD 12.4 billion (**)	**Varies upon firms' risk intolerance** (those with low risk appetite prefer G-bonds and deposits, those with higher – C-bonds, equities & derivatives	Must not invest over 70% of equity in stock or C-bonds
Insurance companies	**Total assets:** USD38 billion (***)	**Conservative:** most of their investment assets are spent on deposits (43%) and G-bonds (33%)	Must not invest in C-bonds whose purpose is to restructure existing debts of the issuer.
Vietnam Social Security (VSS)	**Total assets:** USD47 billion (***)	**Conservative:** concentrated in government debt securities and deposits at state-owned banks	Must only invest in G-bonds, State Treasury instruments and deposits and debt securities issued by state-owned banks.

Source: FiinProX, Insurance Yearbook, Thuvienphapluat, stakeholder interviews. Note: Data are as of (*) 30 Sep 2025, (**) 30 June 2025 and (***) 31 Dec 2024

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1.3 Vietnam – Intermediaries and Market Infrastructure

Intermediaries have strong capabilities in corporate access, deal structuring, and distribution

Chart 14: Intermediaries' profiles

	Brokers	Underwriters	Research Providers	Credit Rating Agencies
Top Players	The market (74 players in total) is concentrated with over 70% of market share of top 10 securities companies. **In the foreign institutional segment, Vietcap, SSI and HSC hold the largest market share** (together over 70%) thanks to their strong sales team, wide global networks and extensive experience of working with foreign investors.	• **Equity market:** The past IPO deals show active participation of institutional-focused brokers, including HSC, SSI and Vietcap. • **C-bond market:** Top 3 underwriters TCBS, SHS and BSC. Their affiliation with large banks provides a steady, high-quality deal pipeline and allows them to dominate market share.	**Securities companies are the dominant public-facing research providers**, since they serve a wide client base. Independent research houses/data providers (e.g. FiinPro under FiinGroup) produce macro-level and sector-level research reports which are not for buy/sell recommendation purpose.	**Only 5 firms have been granted credit rating licenses** by the MoF under Decree 88/2014, being official licensed is itself a barrier to entry. Top 3 firms with largest market shares are Saigon Ratings, FiinRatings and VIS.
Capacity & Expertise	Corporate access services include arranging meetings with company management teams, organising site visits, hosting investor conferences, and facilitating small-group discussions or webinars with listed companies. Large-scaled investor roadshow events are also organised by brokerage firms for high-valued IPOs.	• Underwriters offer a fairly comprehensive suite of capital-market services-underwriting, listing/issuance advisory, book-building support, due diligence coordination and deal structuring. • The capabilities remain concentrated in a handful of top firms.	Large securities firms provide high-quality in-depth reports, earnings models, sector and macro commentary, IPO forecasts, and regular market updates.	**Some CRAs has strategic partnerships** with foreign CRAs (e.g. FiinRatings with S&P Global, VIS Rating with Moody's), which support them with methodology, training and best-practice guidance. This serves as a foundation for their global-standard analytical frameworks and rating processes.
Constraints	• Investor conferences and non-deal roadshows are run at a smaller scale and on a more ad-hoc basis than those in developed markets. • Given the modest capital base of majority of securities companies, regulations on margin lending (the outstanding value cannot exceed 2 times of the company's equity) restrict their ability to support	• Limited scale and maturity of Vietnam's capital markets restrict deal flow, especially for large or complex transactions. • Capability is uneven among securities firms. Many firms operate with thin capital bases, limiting their ability to take underwriting risk.	Analyst coverage of listed companies is low: fewer than 20% of firms are covered on a regular basis, mainly large-cap companies that attract institutional investor interest.	**Underdeveloped credit rating culture:** A credit rating culture has yet to take hold, and the regulatory framework does not mandate ratings for all issuers or bond issues. As a result, demand for ratings remains low, leading to limited rating coverage across debt instruments.

Source: Stakeholder interviews, intermediaries' reports

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1.3 Vietnam – Intermediaries and Market Infrastructure

The infrastructure is robust enough, but upgrades are essential to roll out advanced market features

Chart 15: Vietnam's Capital Market Infrastructure

Infrastructure	Capacity (Recent Development)	Constraints (Potential Upgrades)
Trading Platforms	• The high level of turnover places Vietnam among the most actively traded markets in the region and demonstrates the exchanges' ability to accommodate large transaction volumes including institutional-scale orders, without overwhelming the system. • **The implementation and refinement of the KRX trading system in May 2025**, which is able to handle 4.5 million orders per day, has improved overall market handling capability, particularly during high-volume sessions.	• **Full functionality (e.g.T+0/T+1 settlement options, short-selling mechanisms) has not yet been fully rolled out**, limiting Vietnam's ability to adopt more advanced market features common in other emerging markets. • **Fragmented market structure across HoSE, HNX and UPCoM** creates complexity for issuers and investors, spreads liquidity thinly, and complicates index development and market integration.
Settlement Systems	Securities and funds are settled on a net basis on Vietnam Securities Depository and Clearing Corporation (VSDC), with final transfers occurring at the end of the processing cycle. The settlement cycle for equities is T+2, while for G-bonds is T+1.	**VSDC is building a Straight-Through Processing (STP) platform** to enable fully automated interactions between global custodian banks and domestic securities firms, replacing manual processes. **VSDC also aims to complete a CCP system** by early 2027 to strengthen post-trade risk management and enable the expansion of short-selling, securities lending & borrowing (SLB), and more complex derivatives
Data Provision	• **Coverage of HoSE, HNX and UPCoM on equities is comprehensive**, with most vendors capturing exchange feeds and issuer disclosures. • **The leading vendors typically update market data in real time** and update financial statements as soon as companies file on the exchanges. Corporate news, regulatory announcements and ownership changes are usually posted quickly due to automated scraping or direct feeds.	**Equity market data:** The quality and completeness of issuers are uneven, particularly among smaller listed firms and UPCoM companies. **Bond market data:** There is no sufficiently long and reliable PD dataset to support risk management and interest rate pricing. Bond pricing continues to rely on 12-month average deposit rates at major banks, resulting in low stability in fixed-income returns and a weak pricing foundation, as this benchmark fluctuates frequently.

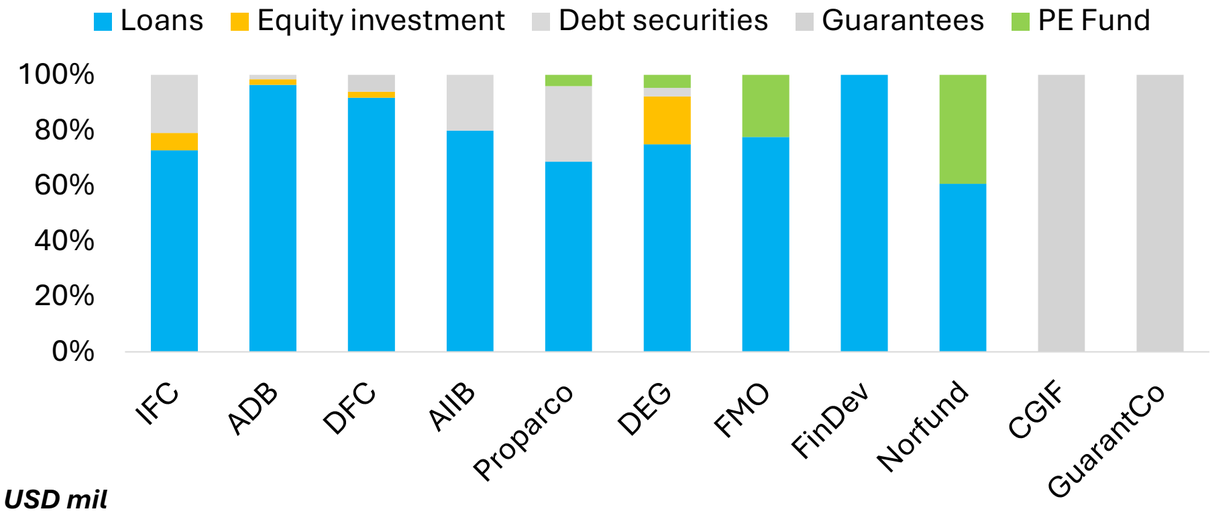
Source: Stakeholder interviews, desk research

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1.4 Vietnam - Synthesis of DFI Interventions

Shifting from loan-heavy interventions toward de-risking and blended finance

Chart 16: Composition of DFI-Recorded Deals in Vietnam, by Product Type (2017-2025)



Unit: USD mil

Loans	2,950	928.1	752.0	297.5	252.0	240.4	138.4	150.0	62.85	--	--
Debt securities	850.1	15.0	--	75.0	100.0	10.0	--	--	--	--	--
Equity	254.5	20.0	18.0	--	--	55.5	--	--	--	--	--
Guarantees	--	--	50.0	--	--	--	--	--	--	533.4	223.5
PE Fund	--	--	--	--	15.0	15.0	40.0	--	40.7	--	--

Source: FiinRatings' compilation. Note: Excludes investments made via private equity funds with multi-country mandates

Gaps:

- **Limited investable fund structures:** Lack of institutional-grade vehicles (infrastructure/climate funds).
- **Equity investment constraint:** Shallow IPO activity and limited exit pathways, paired with IFRS/VAS gaps and ownership dilution reluctance.
- **Sector concentration and limited products:** Markets are dominated by banking and real estate; few firmsmeet strict DFI ESG and reporting standards.
- **Sovereign & Exchange rate risk:** Low sovereign ratings and an 5% annual currency depreciation, coupled with weak hedging tools.

Opportunities:

- **Limited role of domestic DFIs:** DFIs to act as critical anchor investors and risk-sharers.
- **Raising FOLs:** New frameworks allowing up to 100% foreign ownership in non-restricted sectors.
- **FTSE EM upgrade and Market reforms:** Improve governance and make IPO/secondary exits more viable.
- **Infrastructure and energy agenda:** Provide a clear rationale for DFIs to anchor new infrastructure and blended-finance vehicles.
- **Credit Enhancement Mechanisms:** Developing legal frameworks creates openings for DFIs to mitigate risk and improve non-bank market access.

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04 Comparative Analysis

Vietnam is in a high-growth phase, while Philippines & Indonesia represent more mature EMs

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Chart 48: Comparison of Vietnam, Indonesia and Philippines capital markets

Category	Vietnam	Indonesia	Philippines	Comparative analysis
Depth & size				
Market capitalisation (% of GDP)	77.8%	66.5%	66.0%	Vietnam's high depth-to-GDP suggests a market ready for institutional transition, while the Phillipines's shallow bond market represents a major untapped opportunities for DFIs to build scale. Indonesia has the lowest MarCap among three, dominated by SOEs in major indices.
Number of listed companies	Main boards: 706 Secondary board: 869	956	Main board: 271 SME board: 10	
Outstanding C-bond size (% of GDP)	10.4%	4.9%	2.1%	
Investor base & Composition				
Share of foreign investors (% of equity trading value)	11.6%	45.7%	46.3%	Indonesia and the Phillipines has a more mature investor base acting as a long-term stablilising force. Vietnam remains retail-driven, though the 2026 FTSE upgrade and roadmap to MSCI EM status are designed to pivot this towards institutions for Vietnam.
Share of retail investors (% of equity trading value)	54.1%	18.3%	16% (2024)	
Institutional share of bond holdings	~ 85% (2024)	82% (2024)	70-80%	
AUM of investment funds (% of GDP)	6.3%	~4.5%	~4.0%	
Liquidity & free-float				
Turnover ratio	67.3%	30.3%	13.0%	Vietnam market possesses strong liquidity and rapid development as it approaches the EM status, while the Phillippines's low liquidity and turnover can create "liquidity trap" where large entries/exits cause massive price slippage. Indonesia's recent increase of free-float requirements signals a national push to further improve market investability. Vietnam's higher free float reflects relatively broader retail participation, which increases the proportion of shares available for trading. In contrast, Indonesia and the Philippines end to have more concentrated ownership structures, often dominated by family conglomerates or strategic shareholders, resulting in a lower proportion of shares in public hands.
Average daily trading value (USD million) on the equity market	1,127	1,094	130	
Minimum free-float ratio for listing	10%	15% (recently increased from 7.5%)	12-33% (depending on size)	
Average free float ratio	43%	28%	Around 30%	
Average daily trading value (USD million) on the C-bond market	222	260	~ 1.5 – 2.5	

Source: ABO, FiinProX, exchanges and interviews. Note: Data are 2025 full year, unless otherwise noted

04 Comparative Analysis

Indonesian market is generally deeper, while Vietnam is advancing through ESG adoption & integration

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1 ESG Frameworks

Indonesia has the most mature and structured ESG framework among the three, with mandatory sustainability reporting and a national green taxonomy, and repeated sovereign green sukuk issuances anchoring market credibility.

The Philippines has sovereign sustainability issuances that support market development, but its disclosure regime remains less prescriptive.

Vietnam is progressing rapidly with the introduction of a green taxonomy and growing green and sustainability-linked issuances, yet implementation remains largely voluntary, with data transparency and standardised reporting still developing.

2 SOE Listing Potential

Indonesia has the most established presence of listed SOEs among the three markets, with state-owned banks and infrastructure firms forming a meaningful share of market capitalisation and liquidity.

The Philippines, by contrast, has virtually no listed SOEs, despite the significant economic footprint of government-owned corporations—highlighting a large untapped source of quality supply for its equity market.

Vietnam sits in between: SOE-related stocks already play an important role in market performance, and policy direction increasingly supports equitisation, but the actual pipeline is thin due to the structural constraints.

3 Regional Integration

Indonesia has a relatively developed capital market and has taken steps toward regional integration, including cross-border investment frameworks.

The Philippines' capital markets remain largely domestic-focused, with limited cross-border activity, reflecting regulatory restrictions and lower market depth.

Vietnam is increasingly opening its capital markets to foreign investors and aligning regulations with international standards, but actual cross-border investment volumes are still modest compared with its potential.

4 MSCI Classification

Indonesia is a long-standing MSCI EM facing a near-term governance-related review. The recent focus on ownership structures and trading patterns underscores a shift toward prioritising transparency and free-float reliability.

The Philippines maintains EM inclusion but with a limited index footprint, creating a liquidity trap for mid-sized firms that fail the high MSCI hurdles.

Vietnam presents a unique paradox, with broad breadth and higher retail liquidity than its EM peers but lacks the "institutional anchor" of a formal EM status. The FTSE upgrade remains the near-term catalyst for institutional re-rating ahead of a potential MSCI transition.

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Vietnam – Actionable Recommendations

Aim to improve the institutional investor base, product diversity and governance standards

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Constraints	Actionable Recommendations	Stakeholder responsibility		
		Regulators	DFIs /Mobilist (*)	Others
Narrow institutional investor base	1. Loosen restrictions by allowing insurance companies to invest in bonds issued for debt restructuring purpose	✖		
	2. Enhance the legal framework on pension funds, their investment mandate and incentives for voluntary pension contribution	✖		
	3. Introduce mandatory investment mandates for VSS, with an initial allocation to investment-grade corporate bonds and fund certificates	✖		
	4. Open up infrastructure investments to insurance funds, allowing them to exceed the investment limits when investing in infrastructure C-bonds that meet eligible credit rating requirements	✖		
	5. Mobilise capital into listed vehicles structured, especially the new asset classes such as PPP or GSS+ bonds, as a cornerstone investor to crowd in long-term institutional investors		✖ (*)	
High reliance on banks/lack of product diversity	6. Implement a mandatory bond-financing framework: large corporates (VN500 / key state-owned enterprises) must raise 20-25% of incremental borrowings through corporate bonds.	✖		
	7. Give incentives to qualified SOEs to go listing (e.g. fast-tracked IPOs, reduced listing costs)			✖
	8. Establish formal legal frameworks on Public-Private Partnership (PPP) bonds and corporate bond guarantee funds to catalyse financing for infrastructure, manufacturing and energy projects	✖		
Limited anchor participation in IPOs and new instruments	9. Act as anchor investors in selected IPOs and pre-IPO placements to improve deal credibility and price discovery and crowd in domestic institutions.		✖	
	10. Take long-term equity stakes in SOEs undergoing equitisation/ SOE subsidiaries listing via IPO		✖	
	11. Co-invest in a local bond guarantee fund once the governing regulation is passed		✖ (*)	
	12. Act as an anchor investor in IPOs of qualified companies operating in infrastructure sectors (e.g. renewable energy, transport, water treatment, digital infrastructure)		✖ (*)	
Capability gaps in ESG and innovative instruments	13. Catalyse the GSS bond issuance by subsidising SPO costs and standardising sustainable/green bond frameworks.		✖	
	14. Provide technical assistance in the development of Green/Sustainability/Sustainability-linked frameworks, measurable KPIs, use-of-proceeds tracking and impact metrics for GSS+ bonds		✖	
	15. Deploy technical assistance grants to absorb the upfront costs faced by issuers in bringing new listed instruments to the market, such as green equity, PPP bonds.		✖ (*)	

05

Vietnam – Actionable Recommendations

Aim to improve the institutional investor base, product diversity and governance standards

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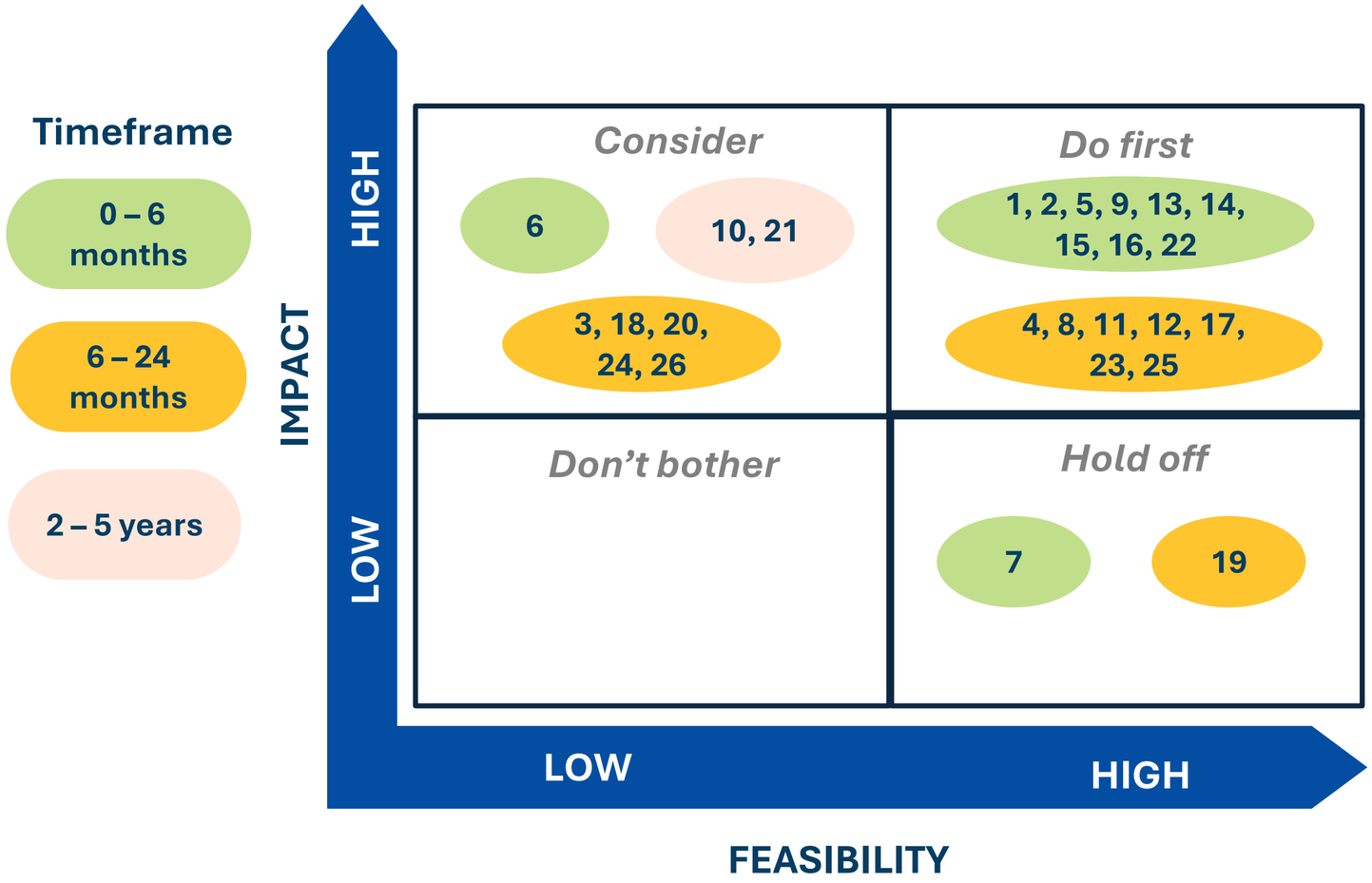
Constraints	Actionable Recommendations (cont'd)	Stakeholder responsibility		
		Regulators	DFIs /Mobilist (*)	Others
Limited foreign investor confidence due to disclosure and governance gaps	16. Provide technical assistance (TA) to regulators, exchanges and issuers on disclosure aligned with international standards, including IFRS		✖	
	17. Require bilingual disclosure of company and market information in Vietnamese and English, together with the full implementation of investor relations functions			✖
	18. Review regulations on foreign holdings to remove unnecessary restrictions in FOL in certain sectors	✖		
	19. Require and support the implementation of robust and internationally standardised reporting frameworks and disclosure for all products it invests		✖ (*)	
Structural barriers to foreign participation	20. Implement non-voting depositary receipts to enhance the availability of listed shares that have reached foreign ownership limits			✖
	21. Expand FX hedging instruments to tenors longer than three years for foreign institutional investors holding VND assets	✖		
Limited risk management tools	22. Grant substantive authority to bondholder representatives, including independent collateral valuation, ongoing monitoring, and the right to request extraordinary audits	✖		
	23. Operationalise a Central Counterparty (CCP) for equities and bonds to reduce settlement and counterparty risks			✖
Constraints in secondary market liquidity	24. Develop a corporate bond repo market to enhance bond liquidity, alongside a legal framework governing it	✖		
	25. Introduce covered short selling in a controlled manner, allowing for eligible stocks and restricting use to licensed institutional investors	✖		
	26. Develop a centralised database of defaults, recovery rates, and yield curves, accessible to domestic and foreign investors	✖		

05 Vietnam – Actionable Recommendations

Priority should be given to catalytic DFI interventions and relaxation of investment limits for institutional investors

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Chart 49: Impact – Feasibility matrix for the actionable recommendations for Vietnam



Note: Recommendations in the same quadrant do not differ in terms of impact and feasibility

- **The proposed DFI interventions could play a catalytic role in improving the investability and credibility of infrastructure and sustainable finance instruments** through cornerstone investments, risk-sharing mechanisms, and technical assistance that help crowd in long-term domestic and foreign institutional capital. However, the implementation would still require adequate regulatory frameworks, operational resources, and robust disclosure and ESG standards to mitigate risks related to transparency, credit quality, and long-term sustainability.
- **Complementary reforms aimed at improving pricing infrastructure, market liquidity and disclosure quality** would further strengthen the overall investment environment and support deeper institutional participation in Vietnam's capital markets. Their effectiveness will also depend on broader ecosystem development, including active institutional participation and sufficient market depth to ensure that liquidity and transparency reforms translate into meaningful improvements in market functioning and investability.